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The following case study illustrates how open budget tools can improve public policy debate and put pressure on lawmakers for progressive reform. This document summarizes a more in-depth study prepared by Guillermo Cejudo as part of the Learning Program of the International Budget Partnership's Partnership Initiative (PI). The PI Learning Program seeks to assess and document the impact of civil society engagement in public budgeting.

Download a PDF of the complete case study at <http://internationalbudget.org/wp-content/uploads/LP-case-study-Fundar.pdf>.

MEXICO: ADVOCACY CAMPAIGN EXPOSES UNJUST FARM SUBSIDIES

In Mexico, a national farm subsidy program intended to help the poor has instead benefited the wealthy. From 1994 to 1998 the *Procampo* program, which provides cash payments to farmers to help them overcome financial constraints, distributed 57 percent of benefits to the wealthiest 10 percent of recipients.¹ This inequitable distribution was a primary reason behind the program's failure to fulfill its objective to reduce poverty in Mexico, where 61 percent of rural residents live below the poverty line.²

But this situation might soon change due to the efforts of a coalition of activists, small farmers, and academics. This group drives a public advocacy campaign to expose the *Procampo* issue through the use of budget transparency tools.

This case demonstrates not only the power of evidence-based advocacy and of building diverse networks, but also the challenges of seeking policy reform in countries where formal accountability measures remain weak. There are seldom quick or easy wins in these contexts, and campaigns must sustain a long and multi-faceted effort.

¹ Kristina Pirker, "Subsidios al campo en México: Contraloría social, nuevas tecnologías e incidencia en políticas públicas," UNAM, 1 September 2010.

² World Bank Development indicators, 2010.

THE ISSUES: THE MESSY REALITY OF FARM SUBSIDIES

Governments use different subsidies to correct for market failures in the production and distribution of agricultural goods. A government might help lower producers' equipment costs to encourage mechanization of the sector, or it might provide benefits directly to producers if market prices are too low to stimulate the needed supply of food staples in a country. Subsidies have been useful also to protect farmers from unfair competition, to promote certain crops, and to combat poverty in rural areas.

But subsidies are also controversial for their often-unintended consequences. Critics point to instances when subsidies designed to alter the market in one country have spillover effects in the international market, driving down the price of commodities globally to the detriment of farmers elsewhere. There is also evidence that well-organized and politically powerful interest groups abuse subsidies in both developing and developed countries.

Mexico's own history of farm subsidies demonstrates these challenges well.

In 1994 Mexico signed the North American Free Trade Agreement (NAFTA), a pact to gradually lower or eliminate trade barriers with the United States and Canada, including for agricultural goods. Farm subsidies have a long history in Mexico, but the current cash subsidy program, known as *Procampo*, was initiated as part of a larger plan of action to prepare for trade liberalization and to alleviate or prevent its

adverse effects. Mexican small farmers, it was reasoned, would be especially vulnerable to competition from U.S. farmers, who receive massive federal support.

Procampo was intended to level the playing field and to provide farmers with a stable flow of cash that they could use to maintain or improve their production. The program was given two objectives: to be an instrument to reduce poverty and, at the same time, to improve competitiveness in the rural sector in the face of trade liberalization.

But according to most observers, the program has not succeeded. Academics, peasant farmer groups, and even some public officials have all raised doubts about the federal government's policies toward the rural sector and particularly about the distribution of farm subsidies. For researchers at Fundar, an independent Mexico City-based think-tank, the issue of distribution came to the fore when they examined how rural public expenditure had consistently risen from 120 billion pesos (US\$9 billion) in 2004 to 176 billion pesos (US\$13 billion) in 2007, and yet in spite of the spending, the enormous gap between the rich and the poor in the sector had remained as wide as ever. Separately, the World Bank concluded in a 2009 report that Mexican "public expenditure in agriculture is so regressive that it cancels out almost half the redistribute effect of rural development expenditure."³

Reversing the skewed distribution is no easy task. The national (i.e., Mexico City-based) media is largely uninterested in agricultural policy and is not inclined to publish the obscure technical details of specific policies. Furthermore, the public debate has traditionally focused solely on the amount of budgetary resources allocated to the rural sector and not on the distribution of those resources within the rural sector or their effectiveness. The greatest challenge to reform, however, may be the organizations and politicians who benefit from status quo and who continue to block comprehensive policy changes in this area. Still, their position has been made increasingly tenuous by the campaigning efforts of the coalition.

THE COALITION

Fundar has led the effort to redress unequal distribution of farm subsidies. It had previously used budget analysis tools and the country's freedom of information law to advocate for greater accountability in the public sector and to expose cases of corruption and malfeasance. For this campaign, it joined with the *Asociación Nacional de Empresas Comercializadoras de Productores del Campo* (ANEC), a grassroots organization made up of small agricultural producers that has advocated for change in agricultural policies.

The coalition between Fundar and ANEC was unusual. The organizations have different styles, purposes, and audiences. But the partnership was forged with the assistance of Libby Haight, at the time a researcher at the University of California, Santa Cruz (UCSC) examining rural policy and peasant groups in Mexico. One person at Fundar later referred to Haight as "the one gluing the pieces together."

Haight and another colleague at UCSC made possible an alliance with a crucial third partner: the Environmental Working Group (EWG), an organization that had built an open access dataset on farm subsidies in the United States (<http://farm.ewg.org/>) and raised awareness about

the concentration of benefits in the wealthiest 10 percent of recipients there. This work inspired Fundar and ANEC. EWG's technical know-how at converting big datasets into engaging and accessible maps and graphics was essential.

THE CAMPAIGN

The coalition first used the country's freedom of information law to obtain the lists of agricultural subsidy recipients. To obtain correct information in the necessary format required 30 requests, 16 appeals, and one year of patient work to clean the datasets and convert them into a user-friendly format on the web.⁴

The website, www.subsidiosalcampo.org.mx (which gives the coalition its name, *Subsidios al Campo*), went live in 2008. This public website's information includes the amounts of money received by individual recipients as well as aggregate information by municipality, state, and region. It is also possible to compare information from different years and across states. The data shows that the distribution of subsidies is not only skewed toward wealthy farmers, but also toward wealthier states. From 1994 to 1998, five states received 40 percent of total funds for subsidies but only had 27 percent of recipients. In the same period, the northern state of Tamaulipas received 15 billion pesos for 159,500 beneficiaries, whereas Chiapas, one of Mexico's poorest states, only received 11 billion pesos for 459,803 beneficiaries.

According to the project's coordinator at Fundar, Miguel Pulido, the website alone was a significant accomplishment. The information on farm subsidies had previously been difficult to obtain and was presented in an unclear format. *Subsidios al Campo*'s major contribution was "to present it in a simple manner so that everyone knows who gets the subsidies."

Still, the coalition knew that this information could only lead to a more informed farm subsidies debate and influence policy and budgetary decisions if the media, civil society organizations, and accountability institutions used the website's information. For this reason, Fundar and ANEC put together a short presentation on the subsidies program and trained journalists on the use and interpretation of the website's data.

The coalition soon discovered, however, that they did not have sufficient control over the data interpretation. ANEC and Fundar wanted to emphasize the issue of inequality in the rural sector, but journalists tended to focus more on scandalous findings than on subsidy distribution. As Haight explains, "The focus on concentration did not resonate with journalists; they were after names." The members of the coalition would have preferred headlines like the following from the daily *La Jornada*: "For 15 years, 80 percent of *Procampo* beneficiaries received less than one thousand pesos." Instead, most of the headings were related to problems with specific beneficiaries:

- "Marijuana producer received support from *Procampo*."
- "Drug dealers' relatives in *Procampo* are detected."
- "Mayors get benefits from *Procampo*."

At this early stage of the campaign, the emphasis on individual cases came at the expense of a deeper analysis of the design and

³ World Bank (2009) "México: Análisis del Gasto Público en el Desarrollo Agrícola y Rural," page ix.

⁴ www.subsidiosalcampo.org.mx

implementation of these agricultural programs. But the coalition later found ways to push a more nuanced agenda in the press.

Subsidios al Campo has been instrumental in promoting a deeper analysis of the *Procampo* program. With support of the Woodrow Wilson Center for International Scholars and the William and Flora Hewlett Foundation, a group of academics and policy experts were invited to research topics related to the campaign using data from the *Subsidios al Campo* website. One of the studies, for example, looked at the inception and design of *Procampo* and the distributional effects of agricultural policies. Another study analyzed a survey of beneficiaries.

These studies captured the attention of policy makers and experts in the field and also led to increased newspaper coverage as more irregularities in the program were exposed. The media was especially interested to find out that then-Secretary of Agriculture in the state of Sinaloa appeared 89 times as a beneficiary of the program. One national newspaper assigned two of its top investigative reporters to follow up on the research, later running a full week of front-page stories on *Procampo* with detailed information on beneficiaries, policy design, implementation, and the concentration of subsidies.

In response to the coverage and debate generated by the project, the Ministry of Agriculture announced that it would revise the recipient list, removing individuals who received illegal benefits. Peasant groups responded to the announcement by insisting that the list be updated also to include small producers who never should have been excluded. In April 2009 the Ministry also announced new operating rules for *Procampo* that included a minimum subsidy for small producers (those with less than five hectares) of 1,300 pesos (US\$99) and a ceiling of 100,000 pesos (US\$7,630) for large producers. The new rules indicated that the ministry would create a single registry system to be more transparent and accountable. Later, amidst continued controversy over the program in 2009, the campaign claimed its first political casualty: the Minister of Agriculture resigned and returned to his seat in the Senate.



TACTICS FOR STRENGTHENING THE DEBATE ON FARM SUBSIDIES IN MEXICO

- Using the country's freedom of information law to obtain the lists of agricultural subsidy recipients
- Creating a user-friendly website to publicize detailed information on how agricultural subsidies are distributed
- Training journalists on the agricultural subsidies program and on how to use the website
- Commissioning research studies that explored issues related to the agricultural subsidies program
- Working directly with journalists to produce investigative, feature stories

A year later, however, government institutions in charge of the program still did not observe the new operating rules. The problems related to abuse of the program and to the inequitable distribution of benefits remained unresolved. *Subsidios al Campo* again reached out to its contacts in the media to generate a new round of stories. This press coverage focused on the revelation that the new Minister of Agriculture was himself a direct beneficiary of *Procampo*, in spite of a provision in Article 6 of *Procampo*'s mandate that states that "public officials in the ministry, in technical agencies, or in the agricultural developments departments in the states or municipalities may under no circumstance be beneficiaries of the programs or its components."

Amidst this new controversy, *Subsidios al Campo* was again able to promote more in-depth coverage of the policy, now focusing on the failure of government to make good on promises to resolve fundamental flaws in the program's design.

These efforts have certainly altered the debate on agricultural subsidies and contribute to an atmosphere of greater transparency and accountability in the sector, but *Subsidios al Campo* operates in a complex environment in Mexico where other factors influence the final outcome of the campaign, as the following sections explain.

CHANGES DUE TO THE CAMPAIGN

Subsidios al Campo improved the transparency of Mexico's farm subsidy program and helped to identify root causes of unequal benefit distribution. In doing so, it undoubtedly deepened the policy debate.

Still, it has been less effective in improving policy because of active government resistance and in improving accountability because of weak country institutions. *Subsidios al Campo* initially believed that once the information on farm subsidies became public and accessible, it would be possible for peasant organizations and civil society groups to use this information to demand changes in policy, and that the government would react to those demands with improvements in policy decisions. This vision assumed that the congress and other government institutions of accountability would perform their oversight function better with more information. It was also assumed that the federal government would respond in turn.

"One of the lessons of this campaign is that gathering all available evidence and building a powerful argument is not enough in a context of ineffective accountability institutions," said Haight.

Indeed, several institutional failures have prevented the campaign from more profoundly influencing the actual distribution of farm subsidies.

The Ministry of Agriculture may have mandated important changes to the operation of the farm subsidies program, but the government agency responsible for implementing the program has not complied; moreover, the Ministry has no mechanism for ensuring its compliance. As a result, as late as 2011, the mandated floor and ceiling for agricultural subsidies were not in place, and the new unified registry was still not established.

A Ministry of Public Administration enquiry into the receipt of *Procampo* benefits by public officials, including the minister himself, concluded that there had been no wrong-doing. A review of the program by the Auditor General (AG), however, later concluded that this practice did contravene the rules of the program. The AG found

557 ministry officials who were on the recipient list and asked them to return over five million pesos (US\$380,000) that they had received in 2009 (the Minister of Agriculture announced that he had repaid the benefits prior to the auditor's report). The AG also found 18,023 producers with more than one identification number and 323,026 beneficiaries older than 75 years of age – a dubious figure for that age bracket.

The campaign can also be credited with getting the congress to intervene in the program, though much of lawmakers' action was of a purely rhetorical nature. One exception was the initiative by the Center for Rural Development, a legislative research center, which used the *Subsidios al Campo* website to produce evidence about the concentration of farm subsidies and the program's failures. The lower chamber's Rural Development Committee later held meetings to discuss a reformulation of *Procampo*, but according to members of the campaign, special interests prevailed in blocking any significant legal reform.

One minor legal outcome was an order in the 2011 budget for greater transparency in the agricultural subsidies program. This outcome led the Ministry of Agriculture to routinely publish figures on farm subsidies, though (citing privacy concerns) the government does not divulge the names of individual recipients as the *Subsidios al Campo* website does.

CONCLUSION

Subsidios al Campo is remarkable for its use of new tools to make government data accessible and usable; it is an early pioneer in what is now a growing "open data" movement that benefits from a burgeoning array of creative techniques for presenting large amounts of complex information.

But the coalition quickly understood that access to information alone would not change policy, so it drew upon a network of researchers for deeper analysis of the problem. One important lesson from the success of this maneuver was that discoveries and insights produced might have been dismissed as propaganda had they not been carried out by reputable researchers and backed up by official data.

Subsidios al Campo was also uniquely successful at garnering press coverage, though the case illustrates that the kind of coverage the campaign sought was not immediately forthcoming. Early efforts to work with journalists generated mostly sensationalist headlines. It was only after several efforts to engage with journalists that the campaign finally elicited in-depth reporting on the root causes of the problem.

The final, and perhaps most important, lesson from the case of *Subsidios al Campo* is that none of these other achievements would have been possible without the diversity of the coalition. Bringing together activists, a peasant farmer's organization, information and communication experts, and academics required an especially adept networker that the coalition was fortunate to count upon.



OUTCOMES OF THE FARM SUBSIDIES CAMPAIGN IN MEXICO

- Increased awareness about the distribution and impact of farm subsidies
- Uncovering of rampant abuse of the farm subsidies program, including by government officials
- The decision by the Ministry of Agriculture to rectify irregularities in the farm subsidy recipient list
- New operating rules established for the program, including a floor and a ceiling for the amount any recipient could receive (1,300 pesos and 100,000 pesos, respectively), and the creation of a single registry of recipients that would be more transparent and reduce the possibility of fraud
- A congressional order for greater transparency in the distribution of farm subsidies

International Budget Partnership offices

820 First Street NE Suite 510
Washington, DC 20002 USA
Tel: +1 202 408 1080
Fax: +1 202 408 8173

Xicotencatl 370-601
Del Carmen, Coyoacán,
C.P. 04100 México, D.F.
Tel: +5255 5658 3165
+5255 5282 0036

The Armoury, 2nd Floor,
Buchanan Square
160 Sir Lowry Road
Woodstock, South Africa
Tel: +27 021 461 7211
Fax: +27 021 461 7213

802 Raj Atlantis
Near SVP School,
off Mira-Bhayender Road,
Beverly Park, Mira Road (E)
401107 Mumbai, India
Tel: +91 22 2811 4868
+91 96 6507 1392